

**CASEY COUNTY SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**  
**Year Ended June 30, 2017**

# CASEY COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1-3</b>
<b>Management's Discussion and Analysis .....</b>	<b>4-11</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	12
Statement of Activities .....	13
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position – Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Fiduciary Net Position – Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	22
<b>Notes to the Basic Financial Statements .....</b>	<b>23-46</b>
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund .....	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	48

**CASEY COUNTY SCHOOL DISTRICT**

**TABLE OF CONTENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2017**

	<u>Page</u>
<b>Pension Schedules and Notes to Schedules</b>	
Schedule of the District's Proportionate Share of the CERS Net Pension Liability.....	49
Schedule of the District's Proportionate Share of the TRS Net Pension Liability.....	50
Schedule of Contributions to CERS.....	51
Schedule of Contributions to TRS.....	52
Notes to Required Supplementary Information.....	53
<b>Supplementary Information:</b>	
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	55
Combining Statement of Fiduciary Net Position – Fiduciary Funds .....	56
<b>Schools:</b>	
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – All Schools.....	57
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – Casey County High School.....	58
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>59-61</b>
<b>Notes to the Schedule of Expenditures of Federal Awards.....</b>	<b>62</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>63-64</b>
<b>Summary Schedule of Prior Year Audit Findings .....</b>	<b>65</b>
<b>Independent Auditor's Report on Internal Control Over Financial Reporting On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....</b>	<b>66-67</b>
<b>Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....</b>	<b>68-69</b>
<b>Management Letter and Comments .....</b>	<b>70-72</b>



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### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Casey County School District  
Liberty, Kentucky

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Casey County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2017, the District adopted Governmental Accounting Standards Board Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement 77, *Tax Abatement Disclosures*, Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*, and Statement 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 46 to 47, schedule of proportionate share of the net pension liability on pages 48 to 49 and schedule of contributions on pages 50 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Casey County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2017, on our consideration of Casey County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casey County School District's internal control over financial reporting and compliance.



Certified Public Accountants  
Elizabethtown, Kentucky  
November 4, 2017

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CASEY COUNTY PUBLIC SCHOOL DISTRICT – LIBERTY, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

This section of the financial statements for the Casey County School District (District) presents management’s discussion and analysis of the financial performance of the Casey County School District during the fiscal year that ended on June 30, 2017. As management of the District, we offer readers of the District’s financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The beginning General Fund Fund Balance was \$5,988,717 at June 30, 2016 and the ending General Fund Fund Balance was \$6,463,845 at June 30, 2017, an increase of \$475,128.
- The General Fund had \$18,398,776 in revenues, which primarily consisted of funding through the state’s Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$18,196,012 in General Fund expenditures. These numbers include on-behalf payments.
- SEEK revenue increased \$150,828 from FY 2016. The SEEK Guaranteed Base was \$3,981 in both FY 2016 and FY 2017.
- Renovation of the Liberty Elementary Gym started in the Fall of 2016 and is progressing well. The community and teachers, staff, and students are excited for this improvement and renovation to the WPA-era building and look forward to using it beginning in the Fall of 2017.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

**Government-wide financial statements.** The government-wide financial statements, Statement of Net Position and Statement of Activities, are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on *all* of the district’s assets, liabilities, and deferred inflows and outflows of resources of the District, with the bottom line reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively. To assess the District’s overall health, one needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special needs education, transportation, operation and maintenance of plant, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's food services, and daycare and community education operations are included here.

The government-wide financial statements can be found in the table of contents of this report.

**Fund financial statements.** The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required by State Laws and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain Revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Fund). All of the funds of the District can be divided into three categories: governmental, proprietary, or fiduciary funds.

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationships (or differences) between the governmental activities and the governmental funds, through the Statement of Net Position and the Statement of Activities.

The basic governmental fund financial statements can be found in the table of contents of this report.

- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The District's proprietary funds are food service, day care, and community education.

The basic proprietary fund financial statements can be found in the table of contents of this report.

- Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of others – not the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the directions of the District. The District's fiduciary funds are two private purpose trust funds, and the school Internal (activity) funds (agency funds).

The basic fiduciary fund financial statements can be found in the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$18,905,573 as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Net Position is summarized in Table 1.

**Table 1**

Net Position						
	Governmental Activities		Business-type Activities		Total School District	
	2016	2017	2016	2017	2016	2017
<b>Assets:</b>						
Current and Other Assets	7,010,931	1,909,355	554,600	601,410	7,565,531	2,510,765
Capital Assets	30,733,908	32,539,673	255,048	198,348	30,988,956	32,738,021
<b>Total Assets</b>	<b>37,744,839</b>	<b>34,449,028</b>	<b>809,648</b>	<b>799,758</b>	<b>38,554,487</b>	<b>35,248,786</b>
<b>Deferred Outflow of Resources</b>	<b>1,532,741</b>	<b>2,193,288</b>	<b>153,395</b>	<b>304,923</b>	<b>1,686,136</b>	<b>2,498,211</b>
<b>Liabilities:</b>						
Current Liabilities	2,461,373	2,685,757	308	-	2,461,681	2,685,757
Noncurrent Liabilities	18,499,077	23,924,637	921,920	1,154,177	19,420,997	25,078,814
<b>Total Liabilities</b>	<b>20,960,450</b>	<b>26,610,394</b>	<b>922,228</b>	<b>1,154,177</b>	<b>21,882,678</b>	<b>27,764,571</b>
<b>Deferred Inflow of Resources</b>	<b>323,797</b>	<b>64,138</b>	<b>63,254</b>	<b>12,715</b>	<b>387,051</b>	<b>76,853</b>
<b>Net Position:</b>						
Net Investment in						
Capital Assets	16,203,115	17,190,827	255,048	198,348	16,458,163	17,389,175
Restricted	413,303	69,144	-	-	413,303	69,144
Unrestricted Fund Position	1,376,915	1,707,813	(277,487)	(260,559)	1,099,428	1,447,254
<b>Total Net Position</b>	<b>17,993,333</b>	<b>18,967,784</b>	<b>(22,439)</b>	<b>(62,211)</b>	<b>17,970,894</b>	<b>18,905,573</b>

**Changes in net position.** The District's total net position increased \$934,679. Current assets increased \$3,945,234, non-current assets increased \$1,749,065 and current liabilities increased \$224,076. The district's total revenues increased 13.56 percent to \$32,240,101. Property taxes and state and formula grants accounted for most of the District's revenues. The following table (Table 2) presents a comparison of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**Table 2**

**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total School District	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for Services	-	-	210,384	213,226	210,384	213,226
Operating Grants and Contributions	9,909,102	13,397,148	1,806,853	1,845,383	11,715,955	15,242,531
Capital Grants and Contributions	2,079,416	2,096,990			2,079,416	2,096,990
General Revenue:						
Property Taxes	2,527,388	2,561,437			2,527,388	2,561,437
Motor Vehicle Taxes	471,148	509,140			471,148	509,140
Utility Taxes	713,564	714,591			713,564	714,591
Unmined Minerals	417	410			417	410
State and formula grants	10,595,893	10,779,952			10,595,893	10,779,952
Unrestricted Investment Earnings	47,503	65,108	3,083	3,154	50,586	68,262
Extraordinary Item	-	-	-	-	-	-
Miscellaneous	24,662	53,562			24,662	53,562
Total Revenues	26,369,093	30,178,338	2,020,320	2,061,763	28,389,413	32,240,101
Program Expenses:						
Instruction	16,993,063	20,438,923			16,993,063	20,438,923
Support Services:					-	-
Student	1,228,470	1,132,313			1,228,470	1,132,313
Instructional Staff	649,882	656,662			649,882	656,662
District Administration	476,922	476,139			476,922	476,139
School Administration	1,073,656	1,066,118			1,073,656	1,066,118
Business	732,426	698,496			732,426	698,496
Plant Operation and Maintenance	2,287,251	2,210,346			2,287,251	2,210,346
Student Transportation	1,712,571	1,669,391			1,712,571	1,669,391
Food Service Operations	-	-	1,879,554	1,898,108	1,879,554	1,898,108
Community Services Operations	265,395	276,426	249,818	201,829	515,213	478,255
Enterprise Operations	-	-	2,374	1,598	2,374	1,598
Other	19,824	52,260			19,824	52,260
Interest	459,107	526,813			459,107	526,813
Depreciation	-	-	-	-	-	-
Total Expenses	25,898,567	29,203,887	2,131,746	2,101,535	28,030,313	31,305,422
Change in Net Position	470,526	974,451	(111,426)	(39,772)	359,100	934,679
Net Position, Beginning, as restated	17,522,807	17,993,333	88,987	(22,439)	17,611,794	17,970,894
Net Position, Ending	17,993,333	18,967,784	(22,439)	(62,211)	17,970,894	18,905,573

The total cost of all programs and resources increased 11.68 percent from \$28,030,312 to \$31,305,422. The District's expenses are predominantly related to educating and caring for students (65.29%). The purely administrative activities of the District accounted for 12.87% of total costs. Instructional costs increased \$3,445,860 (20.28%).

Total revenue surpassed expenses, increasing net position \$934,679 over the prior year.

### Governmental Activities

Governmental Activities' net position increased \$974,451 over the prior year. Revenues for the District's governmental activities increased \$3,809,245, whereas total expenses increased \$3,305,320.

### Business-type activities

The business-type activities consist of the food service, day care, and community education programs. These programs had total revenues of \$2,061,763 and expenses of \$2,101,535 for the fiscal year 2017. Revenues for the District's business-type activities increased \$414,443, whereas total expenses decreased \$30,211. The net position decreased by \$39,772. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$10,008,789, which is an increase of \$3,534,187 from the prior year.

Table 3 shows revenues and expenses for selected funds.

Table 3

	General Fund	Special Revenue Fund	Other Governmental Funds
Revenues:			
Local Revenue	3,542,688.00	77,051.00	325,445.00
State Revenue	14,747,361.00	1,188,566.00	2,096,990.00
Federal Revenue	108,727.00	2,836,166.00	-
Other	-	75,000.00	795,977.00
Total Revenues	18,398,776.00	4,176,783.00	3,218,412.00
Expenditures:			
Instruction	10,263,205.00	3,753,301.00	-
Student Support	1,125,341.00	14,122.00	-
Instructional Staff	546,355.00	109,799.00	-
District Admin	521,641.00	-	-
School Support	1,068,339.00	-	-
Business Support	693,165.00	-	-
Plant Operation & Maintenance	2,200,686.00	-	-
Student Transportation	1,746,521.00	60,847.00	-
Community Svc.	30,759.00	242,533.00	-
Debt Service	-	-	2,205,081.00
Fund Transfer/Other	(272,364.00)	-	1,426,253.00
Total Expenditures	17,923,648.00	4,180,602.00	3,631,334.00
Revenue Over (Under) Expenses	475,128.00	(3,819.00)	(412,922.00)

### General Fund Revenue/Expenditures (Fund 1)

The majority of revenue was derived from State Sources (80.15%) with local property, motor vehicle and utility taxes making up 19.85% of total revenue.

The instruction function comprises 57.26% of the expenditures. The instruction function includes the Schools' expenditures for staff and supplies. The student support services function is comprised of spending for attendance services, guidance counseling, health services, psychological testing, and speech, hearing and vision services. The instructional staff support function includes spending for staff support personnel and librarians. The district administration support function includes spending for workers comp, sick leave pay for retirees, property insurance, tax collection fees, and superintendent's office expenses. The school support function includes spending for principals and secretaries. The Plant Operation and Maintenance function accounts for 12.28% of the expenditures, while the Student Transportation services function accounts for 9.74%. Community services expenditures includes activities concerned with providing services to students, staff, or the community which are not considered instructional.

### Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from federal sources (67.9%). The majority of expenditures (89.78%) is spent in the instructional function.

### Other Governmental Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and the building fund is made up of state and local revenue. Fund 400 is the debt service fund and is used to make bond payments. Therefore, the Funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due.

### CAPITAL ASSETS

At the end of fiscal 2017, the District had \$32,738,021 invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$1,749,065, or 5.64%, from last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Land	1,553,373	1,492,665	-	-	1,553,373	1,492,665
Buildings & Improvements	27,328,106	26,949,364	-	-	27,328,106	26,949,364
Technology Equipment	191,427	79,895	-	-	191,427	79,895
Vehicles	880,103	982,056	-	-	880,103	982,056
General Equipment	150,916	121,600	255,048	198,348	405,964	319,948
Construction in Progress	629,983	2,914,093	-	-	629,983	2,914,093
Totals	<u>30,733,908</u>	<u>32,539,674</u>	<u>255,048</u>	<u>198,348</u>	<u>30,988,956</u>	<u>32,738,021</u>

## DEBT

The District sold Revenue Bonds in the Fall of 2016 to finance the Liberty Gym Renovation. Bond proceeds were \$6,065,000.

**Table 5**  
**Outstanding Debt at Year-End**  
**(in Millions)**

	<b>Government Activities</b>	
	<b>2016</b>	<b>2017</b>
General Obligation Bonds	15,278,305	19,479,747
Total Obligations	<u>15,278,305</u>	<u>19,479,747</u>

## Comments on Budget Comparisons

Over the course of the fiscal year, the District revised the annual operating budget as needed and to meet the statutory deadlines from the Kentucky Department of Education.

- Actual General Fund revenues exceeded the budget by \$609,317. The line item that varied most significantly was SEEK revenues. The District budgeted SEEK at only 95.88% in order to be conservative.
- Actual General Fund expenditures were less than budget by \$3,151,223. This is primarily due to management's conservative style of budgeting and also budgeting for major maintenance issues at the High School, Middle School, and Liberty Elementary School that did not have to be undertaken in FY 2017.

## FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a final working budget with \$1,113,422 in contingency (6.26%). The Casey County School District is financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government.

Issues which will impact future budgets include:

- State budgetary shortfalls which could result in the state's inability to fully fund SEEK.
- Insufficient funding of the state transportation formula.
- Increasing retirement costs to be borne by district could be significant.
- Unknown costs associated with the Affordable Care Act.
- The District has not experienced any real growth in student population for several years, although costs of providing services continues to increase. Management will continue to be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs in a time of increasing prices for goods and services.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Deena Randolph, Manager of District-Wide Services, at (606) 787-6941 or by mail at Casey County Board of Education, 1922 N. US 127, Liberty, Kentucky 42539.

## **BASIC FINANCIAL STATEMENTS**



# CASEY COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 10,030,397	\$ 558,118	\$ 10,588,515
Inventory		27,853	27,853
Internal balances	3,995	(3,995)	-
Receivables:			
Taxes-current	92,643		92,643
Taxes-delinquent	7,432		7,432
Other receivables	115,066	1,435	116,501
Intergovernmental-State	17,708	4,628	22,336
Intergovernmental-Indirect Federal	591,955	13,371	605,326
Intergovernmental-Direct Federal	35,508		35,508
Prepays	14,651		14,651
<b>Total Current Assets</b>	<b>10,909,355</b>	<b>601,410</b>	<b>11,510,765</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	3,828,489		3,828,489
Depreciable capital assets, net of accumulated depreciation	28,711,184	198,348	28,909,532
<b>Total Noncurrent Assets</b>	<b>32,539,673</b>	<b>198,348</b>	<b>32,738,021</b>
<b>Total Assets</b>	<b>43,449,028</b>	<b>799,758</b>	<b>44,248,786</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amount on debt refundings	655,101		655,101
CERS	1,538,187	304,923	1,843,110
<b>Total Deferred Outflows of Resources</b>	<b>2,193,288</b>	<b>304,923</b>	<b>2,498,211</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	649,316		649,316
Accrued liabilities	3,808		3,808
Unearned revenue	247,442		247,442
Bond obligations	1,620,000		1,620,000
Compensated absences	44,375		44,375
Interest payable	120,816		120,816
<b>Total Current Liabilities</b>	<b>2,685,757</b>	<b>-</b>	<b>2,685,757</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	17,859,747		17,859,747
Compensated absences	242,643		242,643
Net pension liability - CERS	5,822,247	1,154,177	6,976,424
<b>Total Noncurrent Liabilities</b>	<b>23,924,637</b>	<b>1,154,177</b>	<b>25,078,814</b>
<b>Total Liabilities</b>	<b>26,610,394</b>	<b>1,154,177</b>	<b>27,764,571</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS	64,138	12,715	76,853
<b>Total Deferred Inflows of Resources</b>	<b>64,138</b>	<b>12,715</b>	<b>76,853</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	17,190,827	198,348	17,389,175
Restricted	69,144		69,144
Unrestricted	1,707,813	(260,559)	1,447,254
<b>Total Net Position</b>	<b>\$ 18,967,784</b>	<b>\$ (62,211)</b>	<b>\$ 18,905,573</b>

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

**FUNCTIONS/PROGRAMS**  
**Governmental Activities:**

	\$ 20,438,923	\$ -	\$ 11,770,669	\$ -	\$ (8,668,254)	\$ -	\$ (8,668,254)
Instruction							
Support services:							
Student	1,132,313		306,973		(825,340)		(825,340)
Instruction staff	656,662		253,084		(403,578)		(403,578)
District administrative	476,139		59,873		(416,266)		(416,266)
School administrative	1,066,118		264,732		(801,386)		(801,386)
Business	698,496		81,758		(616,738)		(616,738)
Plant operation and maintenance	2,210,346		166,699		(2,043,647)		(2,043,647)
Student transportation	1,669,391		249,827		(1,419,564)		(1,419,564)
Community service activities	276,426		243,533		(32,893)		(32,893)
Other	52,260			704,702	(52,260)		(52,260)
Facilities acquisition and construction				1,392,288	704,702		704,702
Interest on long-term debt	526,813				865,475		865,475
<b>Total Governmental Activities</b>	<b>29,203,887</b>	<b>-</b>	<b>13,397,148</b>	<b>2,096,990</b>	<b>(13,709,749)</b>	<b>-</b>	<b>(13,709,749)</b>
<b>Business-Type Activities:</b>							
Food service	1,898,108	88,459	1,775,104		(34,545)	(34,545)	(34,545)
Daycare	201,829	123,905	70,120		(7,804)	(7,804)	(7,804)
Community education	1,598	862	159		(577)	(577)	(577)
<b>Total Business-Type Activities</b>	<b>2,101,535</b>	<b>213,226</b>	<b>1,845,383</b>	<b>-</b>	<b>(42,926)</b>	<b>(42,926)</b>	<b>(42,926)</b>
<b>Total Primary Government</b>	<b>\$ 31,305,422</b>	<b>\$ 213,226</b>	<b>\$ 15,242,531</b>	<b>\$ 2,096,990</b>	<b>(13,709,749)</b>	<b>(42,926)</b>	<b>(13,752,675)</b>

**General Revenues:**

Taxes:							
Property taxes					2,561,437		2,561,437
Motor vehicle taxes					509,140		509,140
Utility taxes					714,591		714,591
Other taxes					410		410
Investment earnings					65,108	3,154	68,262
State and formula grants					10,779,952		10,779,952
Miscellaneous					53,562		53,562
<b>Total general revenues</b>					<b>14,684,200</b>	<b>3,154</b>	<b>14,687,354</b>
<b>Change in net position</b>					<b>974,451</b>	<b>(39,772)</b>	<b>934,679</b>
<b>Net position - beginning</b>					<b>17,993,333</b>	<b>(22,439)</b>	<b>17,970,894</b>
<b>Net position - ending</b>					<b>\$ 18,967,784</b>	<b>\$ (62,211)</b>	<b>\$ 18,905,573</b>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

CASEY COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 6,024,307	\$ -	\$ 4,005,709	\$ 381	\$ 10,030,397
Due from other funds	344,609				344,609
Receivables:					
Taxes - current	92,643				92,643
Taxes - delinquent	7,432				7,432
Other receivables	102,409	12,657			115,066
Intergovernmental - State		17,708			17,708
Intergovernmental - Indirect Federal		591,955			591,955
Intergovernmental - Direct Federal		35,508			35,508
Prepays	14,651				14,651
<b>Total Assets</b>	<u>\$ 6,586,051</u>	<u>\$ 657,828</u>	<u>\$ 4,005,709</u>	<u>\$ 381</u>	<u>\$ 11,249,969</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 340,614	\$ -	\$ -	\$ 340,614
Accounts payable	118,398	1,009	529,909		649,316
Accrued liabilities	3,808				3,808
Unearned revenue		247,442			247,442
<b>Total Liabilities</b>	122,206	589,065	529,909	-	1,241,180
<b>Fund Balances</b>					
Nonspendable	14,651				14,651
Restricted	143,509	68,763	3,475,800	381	3,688,453
Committed	2,375,500				2,375,500
Assigned	28,036				28,036
Unassigned	3,902,149				3,902,149
<b>Total Fund Balances</b>	<u>6,463,845</u>	<u>68,763</u>	<u>3,475,800</u>	<u>381</u>	<u>10,008,789</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,586,051</u>	<u>\$ 657,828</u>	<u>\$ 4,005,709</u>	<u>\$ 381</u>	<u>\$ 11,249,969</u>

The notes to the financial statements are an integral part of this statement.

## CASEY COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance per fund financial statements	\$ 10,008,789
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	32,539,673
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	655,101
Governmental funds do not record deferred outflows of resources for pensions but those are reported on the statement of net position as deferred outflows of resources.	1,538,187
Governmental funds do not record deferred inflows of resources for pensions but those are reported on the statement of net position as deferred inflows of resources.	(64,138)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(19,479,747)
Interest payable	(120,816)
Compensated absences	(287,018)
Net pension liability - CERS	<u>(5,822,247)</u>
Net position for governmental activities	<u>\$ 18,967,784</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 2,235,992	\$ -	\$ -	\$ 325,445	\$ 2,561,437
Motor vehicle	509,140				509,140
Utilities	714,591				714,591
Other taxes	410				410
Earnings on investments	44,669	539	19,900		65,108
Other local revenues	37,886	76,512			114,398
Intergovernmental - State	14,747,361	1,188,566		2,096,990	18,032,917
Intergovernmental - Indirect Federal	108,727	2,667,873			2,776,600
Intergovernmental - Direct Federal		168,293			168,293
<b>Total Revenues</b>	<b>18,398,776</b>	<b>4,101,783</b>	<b>19,900</b>	<b>2,422,435</b>	<b>24,942,894</b>
<b>Expenditures:</b>					
Instruction	10,263,205	3,753,301			14,016,506
Support services:					
Student	1,125,341	14,122			1,139,463
Instruction staff	546,355	109,799			656,154
District administrative	521,641				521,641
School administrative	1,068,339				1,068,339
Business	693,165				693,165
Plant operation and maintenance	2,200,686				2,200,686
Student transportation	1,746,521	60,847			1,807,368
Facilities acquisition and construction			2,786,089		2,786,089
Community service activities	30,759	242,533			273,292
Other					-
Bond issue costs			52,260		52,260
Debt service:					
Principal				1,805,000	1,805,000
Interest				400,081	400,081
<b>Total Expenditures</b>	<b>18,196,012</b>	<b>4,180,602</b>	<b>2,838,349</b>	<b>2,205,081</b>	<b>27,420,044</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>202,764</b>	<b>(78,819)</b>	<b>(2,818,449)</b>	<b>217,354</b>	<b>(2,477,150)</b>
<b>Other Financing Sources (Uses):</b>					
Bond proceeds from revenue bonds			6,065,000		6,065,000
Bond discount			(69,338)		(69,338)
Accrued interest on bonds				15,675	15,675
Transfers in	480,344	75,000	298,587	795,977	1,649,908
Transfers out	(207,980)			(1,441,928)	(1,649,908)
<b>Total Other Financing Sources (Uses)</b>	<b>272,364</b>	<b>75,000</b>	<b>6,294,249</b>	<b>(630,276)</b>	<b>6,011,337</b>
<b>Net Change in Fund Balances</b>	<b>475,128</b>	<b>(3,819)</b>	<b>3,475,800</b>	<b>(412,922)</b>	<b>3,534,187</b>
<b>Fund Balance, July 1, 2016</b>	<b>5,988,717</b>	<b>72,582</b>	<b>-</b>	<b>413,303</b>	<b>6,474,602</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ 6,463,845</b>	<b>\$ 68,763</b>	<b>\$ 3,475,800</b>	<b>\$ 381</b>	<b>\$ 10,008,789</b>

The notes to the financial statements are an integral part of this statement.

## CASEY COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Net change in total fund balances per fund financial statements	\$ 3,534,187
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	1,886,918
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(5,995,662)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,805,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(108,122)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(90,314)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(57,556)</u>
Change in net position of governmental activities	<u>\$ 974,451</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Assets</b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 556,322	\$ -	\$ 1,796	\$ 558,118
Inventory	27,853			27,853
Other receivables		1,435		1,435
Intergovernmental - State		4,628		4,628
Intergovernmental receivable - Indirect Federal	13,371			13,371
<b>Total Current Assets</b>	<b>597,546</b>	<b>6,063</b>	<b>1,796</b>	<b>605,405</b>
<b><u>Noncurrent Assets</u></b>				
Capital assets, net of accumulated depreciation	198,348			198,348
<b>Total Noncurrent Assets</b>	<b>198,348</b>	<b>-</b>	<b>-</b>	<b>198,348</b>
<b>Total Assets</b>	<b>795,894</b>	<b>6,063</b>	<b>1,796</b>	<b>803,753</b>
<b>Deferred Outflows of Resources</b>				
CERS	244,465	60,458		304,923
<b>Total Deferred Outflows of Resources</b>	<b>244,465</b>	<b>60,458</b>	<b>-</b>	<b>304,923</b>
<b>Liabilities</b>				
<b><u>Current Liabilities</u></b>				
Due to other funds		3,995		3,995
<b>Total Current Liabilities</b>	<b>-</b>	<b>3,995</b>	<b>-</b>	<b>3,995</b>
<b><u>Noncurrent Liabilities</u></b>				
Net pension liability - CERS	925,334	228,843		1,154,177
<b>Total Noncurrent Liabilities</b>	<b>925,334</b>	<b>228,843</b>	<b>-</b>	<b>1,154,177</b>
<b>Total Liabilities</b>	<b>925,334</b>	<b>232,838</b>	<b>-</b>	<b>1,158,172</b>
<b>Deferred Inflows of Resources</b>				
CERS	10,194	2,521		12,715
<b>Total Deferred Inflows of Resources</b>	<b>10,194</b>	<b>2,521</b>	<b>-</b>	<b>12,715</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	198,348			198,348
Unrestricted	(93,517)	(168,838)	1,796	(260,559)
<b>Total Net Position</b>	<b>\$ 104,831</b>	<b>\$ (168,838)</b>	<b>\$ 1,796</b>	<b>\$ (62,211)</b>

The notes to the financial statements are an integral part of this statement.



# CASEY COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

### PROPRIETARY FUNDS

Year Ended June 30, 2017

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Operating Revenues</b>				
Lunchroom sales	\$ 64,094	-	\$ -	\$ 64,094
Other revenue	24,365	5,184		29,549
Tuition and fees		118,721	862	119,583
<b>Total Operating Revenues</b>	<b>88,459</b>	<b>123,905</b>	<b>862</b>	<b>213,226</b>
<b>Operating Expenses</b>				
Salaries and wages	813,321	199,574	870	1,013,765
Materials and supplies	1,002,684	2,046	166	1,004,896
Depreciation	56,700			56,700
Other operating expenses	25,403	209	562	26,174
<b>Total Operating Expenses</b>	<b>1,898,108</b>	<b>201,829</b>	<b>1,598</b>	<b>2,101,535</b>
Operating loss	(1,809,649)	(77,924)	(736)	(1,888,309)
<b>Non-Operating Revenues (Expenses)</b>				
Federal grants	1,524,227	17,918		1,542,145
Donated commodities	100,891			100,891
State grants	14,181	20,457		34,638
State on-behalf payments	135,805	31,745	159	167,709
Interest income	3,154			3,154
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,778,258</b>	<b>70,120</b>	<b>159</b>	<b>1,848,537</b>
Changes in net position	(31,391)	(7,804)	(577)	(39,772)
<b>Net Position, July 1, 2016</b>	<b>136,222</b>	<b>(161,034)</b>	<b>2,373</b>	<b>(22,439)</b>
<b>Net Position, June 30, 2017</b>	<b>\$ 104,831</b>	<b>\$ (168,838)</b>	<b>\$ 1,796</b>	<b>\$ (62,211)</b>

The notes to the financial statements are an integral part of this statement.

# CASEY COUNTY SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

Year Ended June 30, 2017

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Cash received from:				
Lunchroom sales	\$ 64,094	\$ -	\$ -	\$ 64,094
Other revenue	24,365	5,184		29,549
Tuition and fees		125,827	864	126,691
Cash paid to/for:				
Employees	(656,397)	(154,763)	(711)	(811,871)
Supplies	(899,001)	(2,046)	(168)	(901,215)
Other activities	(25,403)	(209)	(562)	(26,174)
<b>Net Cash Used by Operating Activities</b>	<b>(1,492,342)</b>	<b>(26,007)</b>	<b>(577)</b>	<b>(1,518,926)</b>
<b>Cash flows from Non-Capital Financing Activities</b>				
Federal grants	1,523,877	17,918		1,541,795
State grants	14,181	21,283		35,464
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>1,538,058</b>	<b>39,201</b>	<b>-</b>	<b>1,577,259</b>
<b>Cash Flows from Investing Activities</b>				
Receipt of interest income	3,154			3,154
<b>Net Cash Provided by Investing Activities</b>	<b>3,154</b>	<b>-</b>	<b>-</b>	<b>3,154</b>
Net change in cash and cash equivalents	48,870	13,194	(577)	61,487
<b>Balances, beginning of year</b>	<b>507,452</b>	<b>(13,194)</b>	<b>2,373</b>	<b>496,631</b>
<b>Balances, end of year</b>	<b>\$ 556,322</b>	<b>\$ -</b>	<b>\$ 1,796</b>	<b>\$ 558,118</b>
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (1,809,649)	\$ (77,924)	\$ (736)	\$ (1,888,309)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	56,700			56,700
Donated commodities	100,891			100,891
State on-behalf payments	135,805	31,745	159	167,709
GASB 68 pension expense	21,119	9,071		30,190
Change in assets and liabilities:				
Other receivables		7,106		7,106
Inventory	3,100			3,100
Due to other funds		3,995		3,995
Accounts payable	(308)			(308)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (1,492,342)</b>	<b>\$ (26,007)</b>	<b>\$ (577)</b>	<b>\$ (1,518,926)</b>
<b>Schedule of Non-cash Transactions</b>				
Donated commodities received from federal government	\$ 100,891	\$ -	\$ -	\$ 100,891
State on-behalf payments	\$ 135,805	\$ 31,745	\$ 159	\$ 167,709
CERS Pensions	\$ 21,119	\$ 9,071	\$ -	\$ 30,190

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

June 30, 2017

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 4,481	\$ 194,978
Receivables		2,547
<b>Total Assets</b>	<u>\$ 4,481</u>	<u>\$ 197,525</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 1,919
Due to student groups		195,606
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 197,525</u>
<b>Net Position Held in Trust</b>	<u>\$ 4,481</u>	

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

Year Ended June 30, 2017

	Private Purpose Trust Funds
<b>Additions</b>	
Net interest and investment gains	\$ 28
<b>Deductions</b>	
Expenses paid	(500)
Change in net position	(472)
<b>Net Position, beginning of year</b>	4,953
<b>Net Position, end of year</b>	<u>\$ 4,481</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

## **CASEY COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Casey County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **A. REPORTING ENTITY**

The Casey County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Casey County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Casey County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Casey County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Casey County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### **B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

###### **Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

#### Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has three Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.
- (B) The Daycare program is used to account for funds received from tuition fees charges for after school care of students. This is a major fund.
- (C) The Community Education Fund is used to account for educational opportunities to the general public.



## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

##### BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

##### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

## **CASEY COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

##### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### **C. BUDGETARY POLICIES**

##### Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

#### **D. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

##### F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method. The District's inventories include various items consisting of food, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

##### G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

##### H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

##### J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

##### K. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

##### L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

#### Recently Issued Accounting Pronouncements

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 72*. This statement is effective for periods beginning after June 15, 2016 except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.455 per \$100 valuation for real property, \$.455 per \$100 valuation for business personal property and \$.563 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

#### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

##### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2017, \$11,134,814 of the District's bank balance of \$11,384,814 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

#### NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology	\$ 75,000
General	Construction	Construction	132,980
Nonmajor Governmental	General	CFR	480,344
Nonmajor Governmental	Construction	Construction	165,607
Nonmajor Governmental	Nonmajor Governmental	Debt	795,977
			<u>\$ 1,649,908</u>

At June 30, 2017, the Special Revenue Fund owed the General Fund \$340,614 and the Daycare Fund owed the General Fund \$3,995 for expenses paid by the General Fund.

# CASEY COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 914,397	\$ -	\$ -	\$ 914,397
Construction in progress	629,983	2,786,089	(501,980)	2,914,092
Total Capital Assets Not Being Depreciated	1,544,380	2,786,089	(501,980)	3,828,489
Capital Assets Being Depreciated:				
Land improvements	1,573,614			1,573,614
Buildings and improvements	39,264,533	462,703		39,727,236
Technology equipment	985,237		(375,912)	609,325
Vehicles	3,812,088	311,732	(282,768)	3,841,052
General equipment	656,913	83,311	(151,512)	588,712
Total Capital Assets Being Depreciated at Historical Cost	46,292,385	857,746	(810,192)	46,339,939
Accumulated depreciation:				
Land improvements	934,638	60,708		995,346
Buildings and improvements	11,936,426	841,445		12,777,871
Technology equipment	793,811	76,417	(340,797)	529,431
Vehicles	2,931,986	209,480	(282,469)	2,858,997
General equipment	505,996	39,919	(78,805)	467,110
Total accumulated depreciation	17,102,857	1,227,969	(702,071)	17,628,755
Total Other Capital Assets, net	29,189,528	(370,223)	(108,121)	28,711,184
Governmental Activities Capital Assets - Net	<u>\$ 30,733,908</u>	<u>\$ 2,415,866</u>	<u>\$ (610,101)</u>	<u>\$ 32,539,673</u>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 1,070,286			
Student support	104			
District administration	4,536			
School administration	10,901			
Plant	19,419			
Transportation	122,723			
	<u>\$ 1,227,969</u>			
Business-Type Activities				
Capital Assets Being Depreciated:				
General equipment	\$ 805,800	\$ -	\$ (26,968)	\$ 778,832
Totals at historical cost	805,800	-	(26,968)	778,832
Accumulated depreciation:				
General equipment	550,752	56,700	(26,968)	580,484
Total accumulated depreciation	550,752	56,700	(26,968)	580,484
Business-type Activities Capital Assets - Net	<u>\$ 255,048</u>	<u>\$ (56,700)</u>	<u>\$ -</u>	<u>\$ 198,348</u>

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 15,360,000	\$ 6,065,000	\$ (1,805,000)	\$ 19,620,000	\$ 1,620,000
Less Premium (Discount)	(81,695)	(69,338)	10,780	(140,253)	-
Total Bonds Payable	15,278,305	5,995,662	(1,794,220)	19,479,747	1,620,000
Other Liabilities:					
Compensated absences	329,877		(42,859)	287,018	44,375
Total Other Liabilities	329,877	-	(42,859)	287,018	44,375
Total Governmental Activities Long-Term Liabilities	<u>\$ 15,608,182</u>	<u>\$ 5,995,662</u>	<u>\$ (1,837,079)</u>	<u>\$ 19,766,765</u>	<u>\$ 1,664,375</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.



# CASEY COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

#### Bond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Original Proceeds	Rates	Issue	Original Proceeds	Rates
2009R	\$ 935,000	1.00% - 3.10%	2014	\$ 370,000	3.45%
2010R	1,110,000	0.50% - 2.55%	2015R	6,205,000	2.00% - 2.35%
2012	2,010,000	1.00% - 3.00%	2016	6,065,000	1.10% - 3.00%
2012R	7,265,000	1.00% - 2.25%			

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Casey County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On October 19, 2016, the District issued \$6,065,000 of School Building Revenue Bonds at an average interest rate of 2.7 percent. The net proceeds of \$5,943,402 (after \$52,260 in cost of issuance and \$69,338 of discount) were deposited in the Construction Fund. Also, \$15,675 of accrued interest was deposited in the Debt Service Fund.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2018	\$ 1,620,000	\$ 432,054	\$ 1,452,127	\$ 599,927
2019	1,630,000	399,709	1,423,085	606,624
2020	1,580,000	367,602	1,340,091	607,511
2021	1,615,000	335,531	1,341,995	608,536
2022	1,570,000	302,376	1,265,336	607,040
2023-2027	6,440,000	1,033,336	5,029,380	2,443,956
2028-2032	2,675,000	536,068	1,167,079	2,043,989
2033-2037	2,490,000	178,400	620,502	2,047,898
	<u>\$ 19,620,000</u>	<u>\$ 3,585,076</u>	<u>\$ 13,639,595</u>	<u>\$ 9,565,481</u>

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS

The Casey County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### TRS

##### *Retirement Plan*

##### Benefits Provided

##### *For Members Before July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS - CONTINUED

*For Members On or After July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

#### *Other Benefits:*

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2017.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$80,288,379.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$6,540,844 and revenue of \$6,540,844 (\$1,321,076 in the governmental funds and an additional \$5,219,768 in government-wide activities) for support provided by the State. At June 30, 2017, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study prepared as of June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# CASEY COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods through 2039 and the Municipal Bond Index Rate of 3.01% was applied to periods after 2039, resulting in an SEIR of 4.20%. The TPL used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs. In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

#### Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.20 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20 percent) or 1-percentage-point higher (5.20 percent) than the current rate:

	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
System's net pension liability (in thousands)	\$ 37,937,230	\$ 30,924,069	\$ 25,168,197

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### ***Medical Insurance Plan***

##### Plan Description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide postretirement healthcare benefits to eligible members and dependents. The TRS medical insurance benefit is a cost-sharing, multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired for service or disability. The TRS medical insurance fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

##### Contributions

The post-employment medical benefit provided by TRS is financed on a pre-funded basis beginning July 1, 2010 with the implementation of the "Shared Responsibility" legislation. In order to fund medical benefits, active member contributions are matched by the state at .75% of members' gross salaries. Beginning July 1, 2010 member contributions to the TRS medical plan increased incrementally to 3.75% on July 1, 2015 under the Shared Responsibility Plan. Also, the premiums collected from retirees and investment income contributes to funding the plan.

#### **CERS**

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Contributions

For the fiscal year ended June 30, 2017, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.95 percent of annual creditable compensation. Contributions to the pension plan from the District were \$506,196.

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$6,976,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.141693 percent, which was an increase of .010487 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$1,016,244. At June 30, 2017, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 30,457	
Changes in actuarial assumptions	369,574	
Difference between projected and actual investment earnings	655,855	
Changes in proportion and differences between employer contributions and proportionate share of contributions	281,028	76,853
Contributions paid to CERS subsequent to the measurement date	506,196	
	<u>\$ 1,843,110</u>	<u>\$ 76,853</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$506,196 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

Year Ending June 30	Pension Expense Amount
2018	\$ 452,084
2019	322,272
2020	315,448
2021	170,257
	<u>\$ 1,260,061</u>

#### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.



# CASEY COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

#### Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 8,693,752	\$ 6,976,424	\$ 5,504,329

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll</b>
20 or more	100	0
15-19	75	25
10-14	50	50
4-9	25	75
Less than 4	0	100

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

The District is required to contribute at an actuarially determined rate. As of June 30, 2017, 2016, and 2015, the District's required contribution rate was 4.73%, 4.64%, and 4.92%, respectively, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the District were \$171,635, \$146,345, and \$151,662 for the years ended June 30, 2017, 2016, and 2015.

#### DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2017, there was \$14,651 of prepaid items recorded as nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the District had \$143,509 restricted for compensated absences in the General Fund, \$68,763 restricted for grants in the special revenue fund, \$381 restricted for capital projects in the FSPK Fund, and \$3,475,800 restricted for capital projects in the Construction Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2017: \$920,000 for future construction, \$275,000 for buses, \$174,000 for equipment, \$600,000 for personnel, \$300,000 for technology, and \$106,500 for sick leave.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2017, was \$11,666 in the general fund. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District also had assigned \$16,370 for site-based council carryforward.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **CASEY COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has commitments related to construction projects at June 30, 2017.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss

#### **NOTE 11 – DEFICIT OPERATING BALANCES**

The Daycare Fund had a deficit net position at June 30, 2017 in the amount of \$168,838. The deficit net position is a result of the recording of the net pension liability for CERS.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

Special Revenue Fund	\$	3,819
Capital Outlay Fund		46,148
FSPK Fund		365,633
Debt Service Fund		1,141
Food Service Fund		31,391
Daycare Fund		7,804
Community Education Fund		577

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2017 were as follows:

Health	\$ 2,920,832
Life	4,488
Admin	35,638
HRA	92,620
TRS	1,321,076
Technology	58,578
Debt Service	1,392,288
Less: Federal Reimbursement	<u>(298,114)</u>
Total on-behalf	<u>\$ 5,527,406</u>

Recorded as follows:

General Fund	\$ 3,967,409
Food Service Fund	135,805
Daycare Fund	31,745
Community Education Fund	159
Debt Service Fund	<u>1,392,288</u>
	<u>\$ 5,527,406</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CASEY COUNTY SCHOOL DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

### GENERAL FUND

Year Ended June 30, 2017

	Original	Final	Actual
<b>Revenues</b>			
From local sources:			
Taxes:			
Property	\$ 2,132,000	\$ 2,207,000	\$ 2,235,992
Motor vehicle	450,000	465,000	509,140
Utilities	745,000	700,000	714,591
Other			410
Earnings on investments	35,000	35,000	44,669
Other local revenues	5,000	5,000	37,884
Intergovernmental - State	14,402,957	14,302,457	14,747,361
Intergovernmental - Indirect Federal	75,000	75,000	108,727
<b>Total Revenues</b>	<b>17,844,957</b>	<b>17,789,457</b>	<b>18,398,774</b>
<b>Expenditures</b>			
Instruction	10,806,178	10,534,453	10,263,205
Support services:			
Student	1,293,429	1,321,388	1,125,341
Instruction staff	664,678	624,044	546,355
District administrative	585,549	620,986	521,641
School administrative	1,115,375	1,113,112	1,068,339
Business	716,157	679,407	693,165
Plant operation and maintenance	2,762,855	3,084,061	2,200,686
Student transportation	2,000,202	2,323,353	1,746,521
Community service activities	32,000	35,536	30,759
Other	1,293,534	1,010,895	
<b>Total Expenditures</b>	<b>21,269,957</b>	<b>21,347,235</b>	<b>18,196,012</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(3,425,000)</b>	<b>(3,557,778)</b>	<b>202,762</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in		480,344	480,344
Transfers out	(75,000)	(375,000)	(207,980)
<b>Total Other Financing Sources (Uses)</b>	<b>(75,000)</b>	<b>105,344</b>	<b>272,364</b>
<b>Net Change in Fund Balance</b>	<b>(3,500,000)</b>	<b>(3,452,434)</b>	<b>475,126</b>
<b>Fund Balance, July 1, 2016</b>	<b>3,500,000</b>	<b>3,452,434</b>	<b>5,988,717</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,463,843</b>

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL**

**SPECIAL REVENUE FUND**

Year Ended June 30, 2017

	Original	Final	Actual
<b>Revenues</b>			
Earnings on investments	\$ -	\$ -	\$ 539
Other local revenues	44,500	45,500	76,512
Intergovernmental - State	1,090,616	1,224,365	1,188,566
Intergovernmental - Indirect Federal	2,239,854	2,819,730	2,667,873
Intergovernmental - Direct Federal	175,480	175,480	168,293
<b>Total Revenues</b>	<b>3,550,450</b>	<b>4,265,075</b>	<b>4,101,783</b>
<b>Expenditures</b>			
Instruction	3,182,360	3,955,871	3,753,301
Support services:			
Student	24,062	15,015	14,122
Instruction staff	112,182	113,507	109,799
Student transportation	82,535	26,890	60,847
Community service activities	224,311	232,992	242,533
<b>Total Expenditures</b>	<b>3,625,450</b>	<b>4,344,275</b>	<b>4,180,602</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(75,000)</b>	<b>(79,200)</b>	<b>(78,819)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	75,000	75,000	75,000
Transfers out			
<b>Total Other Financing Sources (Uses)</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(4,200)</b>	<b>(3,819)</b>
<b>Fund Balance, July 1, 2016</b>	<b>4,200</b>	<b>4,200</b>	<b>72,582</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 68,763</b>



**CASEY COUNTY SCHOOL DISTRICT****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY**

June 30, 2017

Last 10 Years \*

	2017	2016	2015
Proportion of the net pension liability	0.141693%	0.131206%	0.136159%
Proportionate share of the net pension liability	\$ 6,976,424	\$ 5,641,236	\$ 4,418,000
Covered - employee payroll	\$ 3,153,994	\$ 3,082,581	\$ 3,269,012
Proportionate share of the net pension liability as percentage of covered payroll	221.2%	183.0%	135.1%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.2722%	0.2685%	0.3033%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>80,288,379</u>	<u>62,483,320</u>	<u>62,326,179</u>
Total	<u>\$ 80,288,379</u>	<u>\$ 62,483,320</u>	<u>\$ 62,326,179</u>
Covered - employee payroll	\$ 9,476,280	\$ 9,214,199	\$ 9,418,282
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO CERS**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 506,196	\$ 391,736	\$ 393,029
Contribution in relation to the actuarially determined contributions	<u>506,196</u>	<u>391,736</u>	<u>393,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,628,647	\$ 3,153,994	\$ 3,082,581
Contributions as a percentage of covered employee payroll	13.95%	12.42%	12.75%
	0.0473	0.0464	0.0492

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO TRS**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 9,684,851	\$ 9,476,280	\$ 9,214,199
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017**

**CERS**

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of assumptions.* There were no changes in assumptions.

**TRS**

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of assumptions.* The following changes in assumptions were made:

*Changes of assumptions.* In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

## **SUPPLEMENTARY INFORMATION**

**CASEY COUNTY SCHOOL DISTRICT****COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2017

	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 381	\$ -	\$ 381
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 381</u>	<u>\$ -</u>	<u>\$ 381</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ 381	\$ -	\$ 381
<b>Total Fund Balances</b>	<u>\$ -</u>	<u>\$ 381</u>	<u>\$ -</u>	<u>\$ 381</u>

**CASEY COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ -	\$ 325,445	\$ -	\$ 325,445
Intergovernmental - State	209,515	495,187	1,392,288	2,096,990
<b>Total Revenues</b>	209,515	820,632	1,392,288	2,422,435
<b>Expenditures</b>				
Debt service:				
Principal			1,805,000	1,805,000
Interest			400,081	400,081
<b>Total Expenditures</b>	-	-	2,205,081	2,205,081
<b>Excess (Deficit) of Revenues over Expenditures</b>	209,515	820,632	(812,793)	217,354
<b>Other Financing Sources (Uses)</b>				
Accrued interest on bonds			15,675	
Transfers in			795,977	795,977
Transfers out	(255,663)	(1,186,265)		(1,441,928)
<b>Total Other Financing Sources (Uses)</b>	(255,663)	(1,186,265)	811,652	(645,951)
<b>Net Change in Fund Balances</b>	(46,148)	(365,633)	(1,141)	(412,922)
<b>Fund balance, July 1, 2016</b>	46,148	366,014	1,141	413,303
<b>Fund balance, June 30, 2017</b>	\$ -	\$ 381	\$ -	\$ 381



CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2017

	JONES PARK ELEMENTARY SCHOOL	LIBERTY ELEMENTARY SCHOOL	WALNUT HILL ELEMENTARY SCHOOL	CASEY COUNTY HIGH SCHOOL	CASEY COUNTY MIDDLE SCHOOL	Total Agency Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 14,782	\$ 18,420	\$ 13,916	\$ 107,721	\$ 40,139	\$ 194,978
Receivables				2,547		2,547
<b>Total Assets</b>	<u>\$ 14,782</u>	<u>\$ 18,420</u>	<u>\$ 13,916</u>	<u>\$ 110,268</u>	<u>\$ 40,139</u>	<u>\$ 197,525</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 770	\$ 1,149	\$ 1,919
Due to student groups	14,782	18,420	13,916	109,498	38,990	195,606
<b>Total Liabilities</b>	<u>\$ 14,782</u>	<u>\$ 18,420</u>	<u>\$ 13,916</u>	<u>\$ 110,268</u>	<u>\$ 40,139</u>	<u>\$ 197,525</u>

**CASEY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2017**

SCHOOL	CASH BALANCE July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
CASEY COUNTY HIGH	\$ 113,353	\$ 214,346	\$ 219,978	\$ 107,721	\$ 2,547	\$ 770	\$ 109,498
CASEY COUNTY MIDDLE	38,978	153,770	152,609	40,139	-	1,149	38,990
JONES PARK ELEMENTARY	15,057	38,896	39,171	14,782	-	-	14,782
LIBERTY ELEMENTARY	20,679	37,304	39,563	18,420	-	-	18,420
WALNUT HILL ELEMENTARY	19,929	38,708	44,721	13,916	-	-	13,916
	<u>\$ 207,996</u>	<u>\$ 483,024</u>	<u>\$ 496,042</u>	<u>\$ 194,978</u>	<u>\$ 2,547</u>	<u>\$ 1,919</u>	<u>195,606</u>

**CASEY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**CASEY COUNTY HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2017**

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
ART CLUB	\$ 4,299	\$ 880	\$ 1,758	\$ 3,421	\$ -	\$ -	\$ 3,421
ART DONATIONS	200	100	-	300	-	-	300
ATH/DONATIONS	588	1,401	1,830	159	-	-	159
ATHLETICS	18,847	40,924	43,965	15,806	-	-	15,806
ATH-VENDING	4,721	1,519	3,834	2,406	-	-	2,406
ATH-VENDING DA	-	220	220	-	-	-	-
BAND/CHOIR BOOSTERS	21	-	21	-	-	-	-
BAND/DONATIONS	45	16	61	-	-	-	-
BASKETBALL BOOSTERS	36	-	36	-	-	-	-
BETA CLUB	881	3,719	3,552	1,048	-	-	1,048
BETA CLUB - DONATIONS	-	126	-	126	-	-	126
BOYS GOLF DONATIONS	615	-	-	615	-	-	615
BOYS SOCCER DONATIONS	-	1,300	1,300	-	-	-	-
BOYS TENNIS DONATIONS	93	-	73	20	-	-	20
BOYS TENNIS INTER	28	-	-	28	-	-	28
C FUND	6,280	5,864	3,797	8,347	-	770	7,577
C FUND DA	-	18,883	18,758	125	-	-	125
C FUND/DONATIONS	-	250	173	77	-	-	77
CA FUND (STAFF)	1,227	1,284	1,958	553	-	-	553
CAREER CAFE	49	-	49	-	-	-	-
CCHS VENDING	4,810	1,516	3,208	3,118	-	-	3,118
COSMETOLOGY	3,595	10,140	9,240	4,495	-	-	4,495
CROSS COUNTRY	2,487	18,202	19,379	1,310	-	-	1,310
CROSS COUNTRY/DONATIONS	1,800	1,876	944	2,732	-	-	2,732
DANCE BOOSTERS	476	-	-	476	-	-	476
DRAMA CLUB	1,091	2,016	910	2,197	-	-	2,197
DRAMA DONATIONS	-	332	-	332	-	-	332
FCA	294	-	-	294	-	-	294
FCCLA	638	-	-	638	-	-	638
FEA	724	-	-	724	-	-	724
FFA	6,395	34,319	37,050	3,664	-	-	3,664
FFA - DONATIONS	-	3,499	2,501	998	-	-	998
FR-ROTC	1,693	17,692	16,532	2,853	2,547	-	5,400
GEAR UP	-	669	669	-	-	-	-
GIRLS SOCCER BOOSTERS	81	402	130	353	-	-	353
GIRLS TENNIS BOOSTERS	590	5,676	4,123	2,143	-	-	2,143
GOLF BOOSTERS/BOYS	950	-	793	157	-	-	157
GOLF BOOSTERS/GIRLS	880	-	743	137	-	-	137
GOLF GIRLS/DONATIONS	67	1,150	935	282	-	-	282
HOME ECONOMICS	326	-	-	326	-	-	326
INDUSTRIAL ARTS	80	341	421	-	-	-	-
JKG	45	-	-	45	-	-	45
JUNIOR CLASS	9,563	15,157	15,008	9,712	-	-	9,712
JUNIOR CLASS - DONATIONS	-	43	43	-	-	-	-
LIBRARY	-	315	80	235	-	-	235
MEDIA TV	28	10	-	38	-	-	38
OUTDOOR CLUB	786	290	250	826	-	-	826
PEP CLUB	629	-	80	549	-	-	549
PROJECT GRADUATION	-	-	-	-	-	-	-
REBEL PRINTING	-	223	-	223	-	-	223
ROTC DONATIONS	-	300	-	300	-	-	300
SCIENCE CLUB	621	-	204	417	-	-	417
SCIENCE DEPT	947	-	947	-	-	-	-
SCIENCE DEPT/DONATIONS	-	1,000	1,000	-	-	-	-
SENIOR CLASS	54	-	-	54	-	-	54
SENIOR T-SHIRTS	297	640	723	214	-	-	214
SOCCER/DONATIONS	276	100	318	58	-	-	58
SOFTBALL BOOSTERS	972	8	785	195	-	-	195
SOFTBALL/DONATIONS	321	2,700	3,000	21	-	-	21
SPANISH CLUB	100	-	-	100	-	-	100
STUDENT COUNCIL	481	1,801	1,855	427	-	-	427
STUDENT ENTERPRISE	44	183	183	44	-	-	44
STUDENT PARKING	2,405	980	3,385	-	-	-	-
TENNIS DONATIONS	294	-	197	97	-	-	97
TRACK BOOSTERS	283	5,809	5,301	791	-	-	791
TRACK/DONATIONS	38	578	256	360	-	-	360
VOLLEYBALL BOOSTERS	-	-	-	-	-	-	-
Y CLUB	2,172	13,635	12,078	3,729	-	-	3,729
Y CLUB DONATIONS	-	-	-	-	-	-	-
YEARBOOK	28,090	16,118	15,182	29,026	-	-	29,026
TOTALS	113,353	234,206	239,838	107,721	2,547	770	109,498
Transfers	-	(19,859)	(19,859)	-	-	-	-
TOTALS	\$ 113,353	\$ 214,347	\$ 219,979	\$ 107,721	\$ 2,547	\$ 770	\$ 109,498

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-16	\$ 239,825
		7750002-17	844,860
School Breakfast Program	10.553	7760005-16	81,426
		7760005-17	304,763
Summer Food Service Program for Children	10.559	7740023-16	(922)
		7740023-17	13,371
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	100,891
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>1,584,214</u>
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	7720012-16	4,262
		7720012-17	36,640
			<u>40,902</u>
Child and Adult Care Food Program	10.558	7790021-16	6,765
		7790021-17	9,708
		7800016-16	604
		7800016-17	841
			<u>17,918</u>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<u>1,643,034</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.000	504C	51,566
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>51,566</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	337B	116,244
		337C	450,570
			<u>566,814</u>
Special Education - Preschool Grants	84.173	343B	13,179
		343C	624
			<u>13,803</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<u>580,617</u>

The accompanying notes are an integral part of this schedule.

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310A	4,409
		310AM	99
		310B	361,891
		310BM	12,899
		310C	933,578
		310CM	1,124
			<u>1,314,000</u>
Migrant Education - State Grant Program	84.011	311B	22,765
		311BS	18,601
		311C	41,798
		311CS	27,641
			<u>110,805</u>
Vocational Education - Basic Grants to States	84.048	348B	150
		348C	20,756
			<u>20,906</u>
Twenty-First Century Community Learning Centers	84.287	550A	5,316
		550AC	38,717
		550AU	6,988
		550BE	130,390
		550BN	69,572
		550BJ	3,000
		550BM	49,843
		550BU	6,803
			<u>310,629</u>
Rural Education	84.358	350B	23,403
		350C	21,871
			<u>45,274</u>
Improving Teacher Quality - State Grants	84.367	401B	46,667
		401C	114,679
			<u>161,346</u>

The accompanying notes are an integral part of this schedule.

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Passed Through Berea College: Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 16G	84.334A	379BA 379BB 379BE 379BR	7,599 6,368 346 201
Fiscal Year 17G		379CA 379CB 379CC 379CE 379CF 379CR	59,057 37,285 10,222 894 674 1,651
			<u>124,297</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,667,874</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> Drug-Free Communities Support Program Grants	93.276	500AA 500BA 500CA	17,487 30,062 69,178
			<u>116,727</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>116,727</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,479,201</u>

The accompanying notes are an integral part of this schedule.

## **CASEY COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2017

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Casey County School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Casey County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Casey County School District.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

#### **NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

#### **NOTE D – INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

#### **NOTE E – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CASEY COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**Section I-Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified?   X  yes       no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?       yes   X  none reported

Noncompliance material to financial statements noted?       yes   X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?       yes   X  none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       yes   X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
<b>DEPARTMENT OF EDUCATION</b>	

84.010	Title I Grants to Local Educational Agencies
--------	--

84.027/84.173	Special Education Cluster
---------------	---------------------------

Dollar threshold used to distinguish  
Between type A and type B programs: \$   750,000  

Auditee qualified as low-risk auditee?       yes   X  no

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## Section II – Financial Statement Findings

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### MATERIAL WEAKNESS

#### REFERENCE NUMBER 2017-001 ADJUSTMENTS

**Criteria:** The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

**Condition:** As part of the audit we proposed material adjustments to the financial statements related to accounts payable.

**Cause:** The District did not identify items to be recorded.

**Effect:** The design of the internal controls identifying adjustments did not prevent material adjustments.

**Recommendation:** We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

#### **Views of Responsible Officials and Planned Corrective Actions:**

An oversight occurred related to year-end close. The oversight was caused by KDE requirements that were added after the end of the fiscal year and not included in the usual year-end close checklists. The information in the KDE document received after the end of the fiscal year has now been incorporated into the District's year-end close procedures.

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## Section III – Federal Award Findings and Questioned Costs

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No matters were reported.

## **SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

## CASEY COUNTY SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2017

#### FINDING 2016-001 – MATERIAL WEAKNESS – ADJUSTMENTS

*Condition* This finding was a material weakness stating that material adjustments were required to the financial statements.

*Recommendation:* The auditor recommended that the District review its procedures to ensure all adjustments are made to the financial statements.

*Current Status:* The finding was included as a material weakness in the June 30, 2017 audit at finding 2017-001.

#### FINDING 2016-002 – MATERIAL WEAKNESS – CAPITAL ASSETS

*Condition:* The finding was a material weakness stating that the capital assets that should have been added for fiscal year 2016 were added and activated in August 2016 which resulted in the assets posting to fiscal year 2017 instead of fiscal year 2016.

*Recommendation:* The auditor recommended that District management and financial personnel review the procedures and processes involved in recording capital assets and enhance its internal control policies to ensure proper recording of these items.

*Current Status:* The District implemented procedures. No similar findings were noted in the June 30, 2017 audit.

### DEPARTMENT OF EDUCATION

FINDING 2016-003 – Title I – Grants to Local Educational Agencies – CFDA No. 84.010 – Grant period – Year ending June 30, 2016;

#### **Material Weakness – Written Procedures**

*Condition* This finding was a material weakness stating that the District did not have written policies and procedures for payments, procurement, allowability of costs, compensation and travel costs for federal funds as required by the Uniform Guidance.

*Recommendation:* The auditor recommended that the District adopt these procedures.

*Current Status:* The District implemented procedures. No similar findings were noted in the June 30, 2017 audit.

**INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***



CHRIS R. CARTER, CPA  
ANN M. FISHER, CPA  
SCOTT KISSELBAUGH, CPA  
PHILIP A. LOGSDON, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Casey County School District  
Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Casey County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Casey County School District's basic financial statements, and have issued our report thereon dated November 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Casey County School District's internal control over financial reporting (internal control) to determine the audit that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as item 2017-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Casey County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Casey County School District in a separate letter dated November 4, 2017.

## **Casey County School District's Response to Findings**

Casey County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Casey County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Elizabethtown, Kentucky  
November 4, 2017



**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**



CHRIS R. CARTER, CPA  
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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Casey County School District  
Liberty, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Casey County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Casey County School District's major federal programs for the year ended June 30, 2017. Casey County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Casey County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Casey County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Casey County School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Casey County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of Casey County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Casey County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Casey County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Elizabethtown, Kentucky  
November 4, 2017

## **MANAGEMENT LETTER AND COMMENTS**



CHRIS R. CARTER, CPA  
ANN M. FISHER, CPA  
SCOTT KISSELBAUGH, CPA  
PHILIP A. LOGSDON, CPA  
BRIAN S. WOOSLEY, CPA

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Kentucky State Committee for School District Audits  
Members of the Board of Education of  
Casey County School District  
Liberty, Kentucky

In planning and performing our audit of the basic financial statements of Casey County School District for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 4, 2017, contains our report on the District's internal control. This letter does not affect our report dated November 4, 2017, on the financial statements of the Casey County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Casey County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter &amp; Associates".

Certified Public Accountants  
Elizabethtown, Kentucky  
November 4, 2017

## **CASEY COUNTY SCHOOL DISTRICT**

### **COMMENTS**

June 30, 2017

### **PRIOR YEAR UNCORRECTED COMMENTS**

#### **WALNUT HILL ELEMENTARY SCHOOL**

##### **UNALLOWABLE PURCHASE**

During the review of disbursements, we noted that check #2135 dated 03/07/2017 and written to National Pen Company in the amount of \$94.94 was for the purchase of pens for Staff Day from the General Fund. Redbook disallows the purchase of operational items from student activity funds.

##### **MANAGEMENT RESPONSE**

This incident was an accounting error. The purchase should have been coded to account 300 staff vending, but was accidentally coded to account 100 student vending.

#### **CASEY COUNTY MIDDLE SCHOOL**

##### **FUNDRAISER DOCUMENTATION**

We noted that the Fundraiser Approval Form (F-SA-2A) that was submitted for the concession fundraiser held by the Volleyball Fund was signed and approved on 02/17/2017. There were three concession stands held for this fundraiser prior to this date on 02/02/2017, 02/09/2017, and 02/14/2017. Redbook requires that fundraisers be approved before they are held.

##### **MANAGEMENT RESPONSE**

The boosters did not get their request turned in on time, and in the future we will make sure that all paperwork is approved before any fundraisers are started. This will not happen in the future.

##### **FUNDRAISER DOCUMENTATION**

We noted that the Fundraiser Approval Form (F-SA-2A) that was submitted for the basketball tournament fundraiser held by the Girls' Soccer Fund stated that the event would be on 01/28/2017 and last one day. However, upon review of the Fundraiser Worksheet that was submitted for the tournament, there were two basketball tournaments held for the Girls' Soccer Fund. There was one 02/06/2017 and another on 03/13/2017. The tournament held on 03/13/2017 did not have a Fundraiser Approval Form and was not an approved fundraiser.

##### **MANAGEMENT RESPONSE**

The fundraiser form was supposed to be for multiple dates. In the future we will make sure that the dates are clear on the approval forms, and that nothing will be done unless we have the approval from the board.

## **CURRENT YEAR COMMENTS**

### **CASEY COUNTY HIGH SCHOOL**

#### **TICKET SALES**

We noted during review of ticket sales that the Requisition and Report of Ticket Sales form (form F-SA-1) that was submitted for the football game held on 09/30/2016 did not include the initials of the ticket seller in columns C or E of the form. Redbook requires that the individual that sells tickets for school events initial in these two columns stating that he/she sold tickets for the event reported on the form.

#### **MANAGEMENT RESPONSE**

After we received our audit back on October 27, 2016 and had our Redbook Training on November 3, 2016, Ron Flannery explained how we should be doing the form. We made the necessary adjustments to the Ticket Taker signature and the Ticket Seller initials.